IN THE

SUPREME COURT

OF THE UNITED STATES.

October Term, 1886. No. 41.

HENRY S. HALE, *et al.*, AND THE HALE & KILBURN MANUFACTURING COMPANY,
Plaintiffs-in-Error,

vs.

ELISHA E. EVERITT,
Defendant-in-Error.

IN ERROR TO THE SUPREME COURT OF PENNSYLVANIA.

BRIEF OF DEFENDANT-IN-ERROR.

INDEX.

	PAGE
Statement of the Case,	1
Errors in the Statement of the Case by Plaintiffs-in-Error,	14
Argument for Defendant-in-Error on question of Jurisdiction,	21
Argument upon the Assignments of Error,	26

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HENRY S. HALE, ARTEMUS KILBURN, J. WARREN HALE, CHENEY KILBURN and WARREN HALE, who survived H. W. CURTIS, with whom they traded as HALE, KILBURN AND COMPANY; and the HALE AND KILBURN MANUFACTURING COMPANY, *Plaintiffs-in-error,*

vs.

ELISHA E. EVERITT, *Defendant-in-error.*

BRIEF FOR DEFENDANT-IN-ERROR.

STATEMENT OF THE CASE.

This is a writ of error to a judgment or decree of the Supreme Court of Pennsylvania, rendered January 29, 1883, affirming a decree of the Court of Common Pleas. No. 4, of the City and County of Philadelphia (rendered April 22, 1882,) in a suit in equity instituted by the defendant in-error, Elisha E. Everitt, against the plaintiffs in-error, to enforce his rights under a *contract* made on the 16th of

April, 1874, between him and Hale, Kilburn & Company, plaintiffs-in-error, relative to an improvement in WARDROBE BEDSTEADS invented by Mr. Everitt, and patented to him on March 24, 1874.

It will be manifest from an inspection of the record that no Federal question was decided by the Court below on rendering its judgment, or decree, in this case; and that the writ of error was sued out by plaintiffs-in error to avoid the execution of the decree of the Court of Common Pleas, as affirmed by the Supreme Court of Pennsylvania.

The foundation of the bill filed by Everitt, defendant-in-error, on September 24, 1878, in the Common Pleas, was, as we have said, a written agreement between him and Henry S. Hale, Artemus Kilburn, J. Warren Hale, H. W. Curtis, Cheney Kilburn, and Warren Hale, of the city of Philadelphia, trading as Hale, Kilburn and Company, dated April 16, 1874, relative to certain Letters Patent, granted to Everitt, for an improvement in Folding or Wardrobe Bedsteads, dated March 24, 1874, and numbered 148,940.

This agreement is set forth at length in the bill (Rec., pp. 12–17).

It will be noticed that the agreement itself is an executed assignment, by Everitt, of the entire right, title and interest in the patented invention for the whole of the United States, with a covenant for further assurance, if required.

By this agreement Hale *et al.* bound themselves—

1. To pay to Everitt seven per cent. royalty on the wholesale prices received by them for all said patented bedsteads made and sold.

2. To pay to him one-half of the net profits from the sale of licenses.

3. To account for in writing and pay over whatever was due to Everitt at the end of each month.

4. To keep just and true books of account open to his

inspection, showing the number of bedsteads made and sold, the prices received, the licenses granted, and the amounts received for them.

5. To use all reasonable efforts to promote the sale of the bedsteads.

6. That the bedsteads should be known and advertised exclusively as the "Everitt Bedstead."

7. That all improvements in said patented bedsteads made by any of the parties to the agreement should be held and enjoyed subject to the terms of the agreement.

It was further provided that in case of suits for the maintenance of the Letters Patent, Everitt should pay half the expenses and Hale *et al.* the other half.

Further, that if Hale *et al.* or their assignees should fail to account for and pay over moneys becoming due to Everitt under this agreement, and continue in such default for sixty days after demand, or if they should neglect to use all reasonable efforts to promote the sale of the bedsteads, then they should forfeit all their interest in the Letters Patent, and should reassign the same by proper instrument in writing to Everitt.

It was further agreed that if the Letters Patent should be adjudged invalid, or to infringe on other patents, Hale *et al.* might, at their option, surrender to Everitt all rights and claims under the agreement, and thereupon be released from their covenants.

These are, in brief, all the material stipulations of the agreement.

The defendants in the bill were the plaintiffs in error here, survivors of the firm of Hale, Kilburn & Co., and the Hale and Kilburn Manufacturing Company, composed of the members of the said firm, to whom the rights of the former to the Everitt patents, under the agreement of April 16, 1874, had been assigned.

The bill charged that the defendants, since the date of

the said agreement, had been manufacturing these patent bedsteads, and had secured patent rights for several improvements thereon; and that the defendants had refused to account for large quantities of said patented bedsteads, made and sold by them, and had refused to pay royalties thereon, and had remained in default more than sixty days.

It charged that the defendants, with intent to *defraud* the plaintiff, *Everitt*, had purchased from one Andrew Stark a patent issued to him, and reissued in his name, for an invention similar to the plaintiff's; that a suit had been begun in the Circuit Court of the United States in the name of Stark against the defendants for an injunction to restrain them from using the plaintiff's patent; that this suit was commenced and promoted by the defendants themselves, or some of them, and at their expense; and that the name of the said Stark, as plaintiff therein, was made use of by them for the purpose of affording the defendants an excuse to hinder and delay the plaintiff in the collection of his said royalty, and to enable them to deprive him of his just rights under the said patent, improvements, and agreement.

The bill prayed:—

1. That an account be taken of all bedsteads made and sold by defendants, and money received therefor, after the date of the said agreement, and that they be directed to pay to the plaintiff what moneys should upon such account appear to be due from them to him.

2. That defendants be ordered to reassign to plaintiff said Letters Patent, and all improvements made thereon by defendants, and all rights to use said patented invention.

3. That the defendants be restrained from disposing of said patent, and from making or selling bedsteads under the said Letters Patent, or improvements thereon.

In consequence of later developments, an amendment to

the bill was allowed by the Court, and filed on the 5th of May, 1879.

By this amendment it was charged that Hale *et al.* claimed that as the owners of the Stark patent they had the right to manufacture folding-beds substantially in the same manner as they had been doing under their agreement with the plaintiff, without paying the plaintiff anything therefor; that the relations which existed between the defendants and the plaintiff were such that the defendants could not, during the existence thereof, acquire title to said Stark's patent, adversely to the plaintiff, but that in doing so they must be presumed to have acted for the joint interest of all interested in the manufacture of folding-beds under the said agreement.

They thereupon added the following prayer for relief:

"That the said defendants be decreed to assign to the plaintiff the said Stark's patent, and all rights thereunder" (Rec., p. 26).

The answer, filed November 22, 1878, admitted the allegations of the bill, with the following exceptions:

The answer denied that defendants had refused to account for any or all bedsteads manufactured under said agreement, *and averred that they are now and have always been, ready and willing to account for every article so sold by them.* Appended to the answer was an account of all bedsteads sold since the last account was rendered. That the account preceding that appended to answer was accepted by plaintiff without objection, and payment made in accordance therewith, and a mutual settlement made between them.

The answer further averred that in the former accounts were included, by mistake, many bedsteads not covered by plaintiff's patent, and that the payments made thereon were made by mistake. That the account appended to the answer also includes many bedsteads not covered by plaintiff's patent, distinguished by broadface type, and protested that

defendants were not liable to pay royalty on bedsteads so distinguished.

The answer denied that plaintiff had ever been refused access to their books to ascertain the amount due him.

It averred that defendants, in person and by attorney, tendered to plaintiff an assignment of his patent, but that he had refused to receive or accept it, and that defendants deposited at the time of filing their answer, said reassignment in the office of the Prothonotary of the Court of Common Pleas, subject to plaintiff's order.

They denied that the improvements by them were on any of the features covered by plaintiff's patent, but that they were on other parts not in any way connected with the claims of plaintiff.

The answer averred that defendants entered into the agreement with plaintiff, in good faith, believing that his patent was good and valid in the law, and not subject to the claims of other patents, on which the plaintiff's patent was an infringement. That they were obliged to buy at great cost one of such patents, belonging to one Andrew Stark, and had contracted for the control of another, owned by Sebeus C. Maine.

That before said purchase or contract to control said patent rights, the plaintiff was informed of the facts, and asked to participate in said purchase, but he refused.

By the ninth paragraph of the answer the DEFENDANTS CONFESSED JUDGMENT and submitted to a decree in favor of the plaintiff as to all the prayers of the bill, except that part of the *second* prayer referring to the patents for improvements (Rec., p. 20).

On December 10, 1878, the Court of Common Pleas entered upon the bill and answer an interlocutory decree, directing (1) a reference to the Master to take an account of the bedsteads manufactured after April 16, 1874, under the patent and improvements referred to in the bill; (2) an

injunction as prayed for; (3) a reference to the Master to take testimony upon the matters contained in the 2d prayer of the bill, and to report the same and the facts relating thereto, and a further decree, etc. (Rec., p 25).

The hearings before the Master, under this decree, began on December 18, 1878, and lasted until March, 1881.

His report shows that the evidence, which was very voluminous, was sifted and considered with the greatest care (Rec., pp. 29–53).

The following state of facts was developed before the Master:—

The patent of defendant-in-error was granted March 24, 1874. It was not the first patent on the subject of folding-beds; several preceded it, among which was one to Stark, dated in 1865. On the 16th of April, 1874, the formal contract between Everitt and Hale *et al.*, which is the foundation of this suit, was prepared by Hale's counsel and signed by the parties.

About six months after the agreement was made, and after Hale *et al.* had fully satisfied themselves of their safety in proceeding to expend money in manufacturing bedsteads, they commenced active operations under the agreement. Every one of the covenants contained in the agreement to be kept by Hale *et al.* was broken. They did not keep just and true books of account. The books which they kept were not open to Everitt at any time, but were systematically refused to him. Their books were not kept to show the items mentioned in the agreement. They did not render to Everitt just accounts at the end of each and every month, nor did they pay him seven per cent. on the wholesale prices received by them for the sale of bedsteads. They granted licenses and received money therefor, of which they gave him no account whatever. They changed the name of the bedstead in the advertisements and circulars, calling it the

"Champion Folding Bed," instead of the Everitt Bedstead. And from the very beginning, to use the words of Judge Thayer, in his opinion, "they entered into a fraudulent conspiracy to defraud Everitt of all benefit of his own invention and to appropriate it exclusively to themselves; the successive steps in which brought them to the border, if not actually within the line, of criminal responsibility." (See the Opinion, Paper Book of Plaintiffs in-error, page 43).

The patented bedstead proved to be a great success. It was introduced into all parts of the country, and the manufacture and sale of it became a large and flourishing business. During the later years, the amount paid to Everitt (even with the reductions unfairly taken from him by Hale *et al.*, through their peculiar methods of accounting), was not less than $2400 a year, and Hale *et al.*, as early as the summer of 1877, began to conceive a plan by which to get rid of paying to Mr. Everitt this large sum of money. They employed a mechanical inventor, Asher B. Stevens, to get up a new bedstead that would supersede Everitt's, and enable them to get along without using his patent. In the course of his examination of the subject, Mr. Stevens saw a drawing of the Stark bedstead in the Patent Office Report, and showed it to Hale *et al.*, and they thereupon directed him to open negotiations with Stark, with the view of buying his patent. At the same time they directed him to consult their counsel, Mr. Rodney Mason, of Washington, and to act under his advice in the preparation of a bedstead which, using his own ideas in combination with Stark's, would enable them to build folding bedsteads, and to avoid any infringement upon Mr. Everitt's patent, and thus get rid of him.

The plans of the plaintiffs-in-error were materially forwarded by the sudden appearance of Mr. Stark at their counting-house in Philadelphia, in February, 1878. They concealed his presence in Philadelphia from Everitt until after they had bought Stark's patent for $1000. The pur-

chase was made on the 23d of February, 1878, on which day Mr. Stark gave them an assignment in writing, and they gave him $200 in cash, and their due bill for $800 for the balance. "The Master finds as a fact, that the defendants below bought the Stark patent, not for the purpose of protecting the Everitt patent against a possible suit for infringement, but for the purpose of so using the Stark patent as to defeat the plaintiff's claim for royalty." (Master's report, record, p. 51). Having secured Stark's patent, Hale *et al.* then informed Everitt that Stark had been in Philadelphia, and had threatened to sue them for infringement of his rights. They further told him that they thought the best plan would be to settle with Stark; that they would be obliged to pay royalties to Stark now, and that under no circumstances would they be willing to pay royalties to two inventors. They said they were perfectly willing to continue paying seven per cent. for the manufacture of the bedsteads, but no more. They said that they had been negotiating with Stark or his agent on the subject, and they thought they could persuade Stark to be satisfied with five per cent., if Everitt would reduce his amount of royalty to two. This was a nice little scheme, and if successful, would have resulted in a saving to plaintiffs in error of more than $1700 a year as the result of an invested capital of $1000. Their simulated alarm at the appearance of Mr. Stark was not easily communicated to Mr. Everitt. He had a lively recollection of the care with which eminent counsel had examined his patent in the first instance, and so was not frightened at the appearance of Mr. Stark, and refused to accede to their offers. The whole story of this fraud is told in the Master's report (Record, pp. 41 *et seq.*)

They then conceived another fraudulent scheme. They ordered the assignment which Mr. Stark had made to them on the 23d of February, 1878, not to be put upon record, but that Mr. Stark's patent, with such modifications as

would take as much of Everitt's invention away from him as the skill of their counsel could devise, should be re-issued to Stark, as if he were still the owner. They then instructed their counsel in Washington, Mr. Rodney Mason, to write letters to them, as if he was Stark's attorney, containing threats of litigation if they did not either cease their unlawful infringement of Stark's patent, or agree to pay him a royalty. Their counsel in Washington, obedient to the orders of the plaintiffs-in-error written to him from Philadelphia, sent sham letters as requested, which were duly shown to Mr Everitt, accompanied by expressions of terror from the defendants, who affected to look upon Mr. Stark and his threatened lawsuit as the means of certain ruin to Mr. Everitt and themselves. Even this did not shake his determination and his belief in the validity of his patent.

They then arranged a meeting between their counsel, Mr. Rodney Mason, and Mr. Everitt, at which Mr. Mason was to represent the character of Mr. Stark's stern and threatening agent, while they took the role of the terrified infringers. This meeting was held and the play was played all through for the sole benefit of Mr. Everitt and to produce an effect upon his mind. It also was unsuccessful.

The next scheme seems to have been suggested by Mr. Henry S. Hale, which was that Mr. Rodney Mason, the Washington counsel of the defendants, should actually institute a suit in the Circuit Court of the United States, in Philadelphia, in the name of Mr. Stark as plaintiff, for an injunction and account against the plaintiffs in error, as infringers of Mr. Stark's patent. The sham suit was commenced. The bill was filled and served upon the plaintiffs in error, and shown to Mr. Everitt and his counsel for the purpose of inducing him finally to consent to reduce his royalty in order to settle with Mr. Stark. Even this did not succeed in inducing Mr. Everitt to give up his rights.

In the meantime the plaintiffs in error had ceased to pay Mr. Everitt his royalty monthly and to render him the accounts which they were bound to do under their contract. A period of sixty days after demand elapsed, and the default stipulated for in the contract became complete.

The exceptions filed to the Master's report by the plaintiffs-in-error, were some 43 in number, and not one of them made or mooted any Federal question as arising upon his report.

(See the exceptions, Record, pp. 136 *et seq.*; also Master's Supplemental Report on exceptions, Record, p. 140.)

The Court of Common Pleas dismissed the exceptions, and on April 22, 1882, entered a final decre, in accordance with the Master's report, to the following effect:

1. That upon the account, as stated, of defendant's sales under plaintiff's patent and the contract of April 16, 1874, defendants are indebted to plaintiff in the sum of $6554 58 with interest from December 11, 1878, which they are ordered to pay herewith.

2. That defendants forthwith assign and deliver to plaintiff the Letters Patent for an improvement in folding bedsteads, numbered148,940, dated March 24, 1874

3. That they forthwith assign and deliver to plaintiff the following Letters Patent: number 159,908, granted February 16, 1875, to H. W. Curtis; number 181,450, granted August 22, 1876, to C. Kilburn; number 182,465, granted September 19, 1876, to S. D. Newcomb; and number 210,777, granted December 10, 1878, to Henry S. Hale.

4. That they forthwith assign and deliver to the plaintiff the reissued patent, number 8161, and granted April 9, 1878, to Andrew Stark.

(See decree of Court of Common Pleas, Record, page 503)

The decree, as will be observed directs the defendants to assign to the plaintiff his own original patent of the 24th

of March, 1874; four patents which have been granted to the parties to the transaction for improvements upon the plaintiff's bedstead; and the old patent of Andrew Stark, fraudulently bought by the defendants, and reissued on the 9th of April, 1878.

With regard to these it is sufficient to say that the defendants themselves admitted the plaintiff's right to a reassignment of his own patent, and, therefore, no question can be made as to it. The four patents for improvements are mentioned in the Master's report (Record, pp. 49, 50). *He finds that each one of these four was for an improvement in wardrobe bedsteads, and that three of them specially refer to the plaintiff's patent by name, and were for improvements upon it.*

These four patents were granted to H. W. Curtis, Cheney Kilburn, S. D. Newcomb, and Henry S. Hale, and the title to them is in plaintiffs-in-error. Three of these patentees were parties to the original agreement of the 16th of April, 1874, and signed the same; and it was shown in the testimony that S. D. Newcomb was a partner with the defendants, interested in their business, and was the superintendent of their manufactory.

The title of the defendants to the Stark patent was the subject of full consideration, both in the testimony, in the Master's report, and in the argument upon exceptions before the Court.

The Opinion of the Court of Common Pleas, delivered by Judge Thayer, shows that the only questions in the case were questions of general equity jurisprudence as to the liability of the plaintiffs-in-error to account under their contract with the defendant-in error, and the effect of the bad faith in their dealings with the defendant-in-error, and that no questions of Federal law were decided or discussed by the Court of Common Pleas, or entered into the determination of the cause by that Court (see Opinion of Judge Thayer, Paper-Book of Plaintiffs-in-error, p. 43).

From the decree of the Court of Common Pleas the plaintiffs-in-error appealed to the Supreme Court of the State.

Their *assignments of error*, upon that appeal, are found in the Record (page 507), *and no Federal question is stated therein as having been decided or involved in the decision of the cause by the Court of Common Pleas, or necessary to the decision of the cause by the Supreme Court of the State.*

The Supreme Court of Pennsylvania, upon the assignments of error, on January 29, 1883, rendered the following opinion and judgment:

"*Per Curiam.*

"Notwithstanding the full and able argument of counsel for the appellants, we are unable to discover any error in this decree. The evidences of fraud on the part of the company are so manifest as to fully vindicate the conclusion of the Court and to justify the decree.

"Decree affirmed and appeal dismissed at the costs of the appellants" (Rec., p. 508).

Certainly the thought never entered the mind of the Supreme Court of Pennsylvania that any Federal question was decided by this judgment.

A petition was filed by the plaintiffs-in-error for a reargument, but no Federal question was stated in that petition (see petition, Record, p. 509).

After the return of the Record to the Court of Common Pleas, a writ of *fieri facias* was issued against plaintiffs-in-error on the decree of that Court affirmed by the Supreme Court, and thereupon the present writ of error was applied for.

The writ was allowed February 7, 1883.

The petition of the parties for the allowance of the writ is printed in the Record (page 9).

ERRORS IN THE STATEMENT OF THE CASE BY PLAINTIFFS-IN-ERROR.

The "statement of the case," in the Brief of plaintiffs-in-error, is in many particulars incorrect.

It is stated that the plaintiff's bill set up two entirely distinct grounds of relief: (1) His *contract* with the defendants; (2) a prayer for protection against further *infringement* of the patent, by enjoining the defendant from manufacturing under it.

If by this it is meant to say that the cause of action, or ground of relief, in the bill, or any part of it, was the *infringement* of plaintiff's patent, actual or threatened, the statement is erroneous, as the most cursory examination of the bill will show.

The contract set out in the bill in its *seventh* article provided that "any *improvements* in said patented bedsteads which may be made by *either of the parties hereto, and any letters patent of the United States obtained for such improvements, shall be held and eujoyed by said parties of the second part under and subject to the terms of this agreement*," etc. (Rec., p. 14).

The eighth article of the contract provided:—

"It is further understood and agreed that, if in any *suit* the said letters patent shall be *found and adjudged invalid*, or to *infringe on any other patent or patents*, then, and in any *such* case, the said parties of the second part, or their assigns, *may, at their option, surrender to the said party of the first part, his heirs or assigns, all right and claim under this agreement, and thereupon be released from their covenants herein contained, and from any and all obligations whatsoever under or concerning said agreement*" (Rec., pp. 14, 15).

This covenant, in effect, prohibited the defendants below from acquiring any interest in any conflicting patent, and

bound them to the contract until the plaintiff's patent should be *found and adjudged invalid, or to infringe on some other patent, by a Court of competent jurisdiction, in an honest suit for infringement.*

Upon and after and in consquence of such an *adjudication alone*, had the defendants the right to surrender the patent, to terminate the agreement, and to be released from liability thereunder.

The bill, after setting out the contract, and showing the right of the plaintiff to an *accounting*, and to a *reassignment* of his patent and improvements, according to the terms of the contract, proceeded, in the eighth paragraph, to show that the defendants had committed, and were attempting to consummate, an *actual fraud* upon the contract, and the right of the plaintiff, by the purchase and reissue of the Stark patent, and the institution of a *sham suit* against themselves to enforce it, as follows:

VIII. That your orator has been informed and believes, that the said defendants, the Hale & Kilburn Manufacturing Co., *with the purpose and intent of defrauding your orator of his just rights under the said patents and agreement*, have purchased from one Andrew Stark a patent issued to him, and reissued in his name, for an invention similar to that of your orator, which they pretend gives a prior right to said invention or some parts thereof. Your orator has further been informed and believes, that the said defendants or their agents gave to said Stark, as the consideration of his assignment to them, the sum of one thousand dollars ($1000), part in cash and part in the due bill of the said Hale & Kilburn Manufacturing Co., which said due bill was afterwards paid by said company; and that the said Stark thereupon made an assignment of his said patent to said Hale & Kilburn Manufacturing Co., or to some one in trust for them, which said assignment is concealed from your orator; and a suit in Equity has heen commenced in the Circuit Court of the United States for the Eastern District of Pennsylvania, in the name of the said Andrew Stark, against the Hale & Kilburn Manufacturing Co., for an injunction *against their further using your orator's patent in the*

manufacture of bedsteads and other furniture; and said defendants have called upon your orator to pay part of the expense of defending said suit, pretending that they are in fear of loss if the said Stark should succeed in getting his injunction against them; but your orator has been informed and believes, and so charges, that the said suit has been promoted and commenced by the said defendants themselves, or some of them, and at their expense; and that the name of the said Stark, as plaintiff therein, is made use of by them for the purpose of affording the said defendants an excuse to hinder and delay your orator in the collection of his said royalty, and to enable them to deprive him of his just rights under said patent, improvements and agreement.—(Rec., p. 15.)

Upon the facts averred in the bill the prayers were (1) for an account of the articles manufactured by defendants under the said patent and improvements after the date of the contract, etc.; (2) for a reassignment to plaintiff of his said letters patent and improvements thereon; and (3) for an injunction restraining defendants "from *disposing of the said patent and improvements to any other person or persons, than your orator,* and from making or selling bedsteads or other furniture under your orator's said patent and the improvements thereon."

It is plainly evident that the foundation of the relief, by way of injunction, prayed for, was the equity of the plaintiff under the contract and the actual fraud which they were attempting to consummate upon the contract, and the rights of the plaintiff, under the contract, in the transaction in regard to the Stark patent, as set forth in the bill.

The plaintiffs in error assume, in their "statement of the "case," and a large part of the argument of their learned counsel is devoted to an attempt to show, that the decree passed by the Court of Common Pleas, on December 8, 1878, is a "final decree."

That it is not such a decree plainly appears by the decisions of this Court in the cases of *Barnard* vs. *Gibson* (7

How, 650), and *Humiston* vs. *Stamthorp* (2 Wall., 106), where the case of *Forgay* vs. *Conrad* (6 How., 201), relied on by plaintiffs in error, is fully discussed.

The interlocutory degree of December 8, 1878, it will be observed, contained *no* order upon the defendants for the *reassignment of the plaintiff's patent* (No. 148,940).

It was, by the final decree in the cause, entered April 22, 1882, after the coming in of the Master's report, that the defendants were directed to assign and deliver to the plaintiff his Letters Patent, numbered 148,940 (Rec., p. 503); and that order was made upon the facts found, and the recommendation made in the Master's report (Rec., pp. 48, 53).

The Master's report on this subject is as follows:—

The fifth article of the contract between the parties stipulated that "if the said parties of the second part, or their "said assignees, shall at any time fail to account for and "pay over, when due, sums accruing to the said party of "the first part, his heirs or assigns, under the terms of the "agreement, and shall continue in said default for sixty "days after demand for payment, or if they shall fail to keep "the stipulation made in clause three hereof, then, and in "any such case, the party or parties so in default shall for-"feit all his or their interest in said Letters Patent, and "shall re-assign the same, by proper instrument in "writing, to the said party of the first part, his heirs or "assigns."

The bill avers in its sixth paragraph that the "said de-"fendants have continued in default for more than sixty "days, in not accounting for and paying over to your "orator the royalty due him under said agreement, after "your orator demanded of the defendants payment of the "same, whereby the rights of the said defendants to your "said orator's patent, and the said improvements thereon, "were forfeited, and the said defendants have not re-assigned "the said patent and improvements to your orator, accord-"ing to the terms of the said agreement," and prays for re-assignment of the Letters Patent.

The fourth paragraph of the answer admits "that the "defendants have continued in default in this respect for

"more than sixty days in not paying over under the said "agreement, but are in no default for not accounting, and "they agree that they have forfeited their rights to the "plaintiff's said patent, and although they have not hitherto "re-assigned the same, they have caused an offer so to do "to be made to the plaintiff, in person and through coun- "sel, but it has not been accepted, and the defendants, the "said Hale & Kilburn Manufacturing Company, under "advice of counsel and in compliance with the prayer of "the said bill of complaint, deposit herewith in the hands "of the Prothonotary of this Court, at the time of filing this "answer, a re-assignment of the patent referred to, so that "the said plaintiff shall thereunder have and take all his "former rights and privileges, and the said re-assignment "is subject to his order."

The Master finds that the defendants are in default within the terms of the fifth article of the contract, and that they continued in default for more than sixty days before the bill was filed, and he, therefore, reports that the defendants be directed to re assign to the plaintiff his Letters Patent (Record, pp. 48, 49).

On April 22, 1882, the Court entered its final decree "*upon bill, answer, proofs and the reports of the Master, with the exceptions filed thereto on behalf of the defendants*," ordering, adjudging and decreeing:—

1. That the exceptions be dismissed, etc.

2. That defendants are indebted to the plaintiff in the sum of $6,554.58, "with interest from the tenth December, 1878, the date of the entry of the *interlocutory decree in this case*," etc.

3. The defendants are hereby directed forwith to assign and deliver to the plaintiff the Letters Patent for an improvement in folding bedsteads, numbered 148,940 and dated twenty-fourth March, 1874.

4. The defendants are hereby directed to forthwith assign and deliver to the plaintiff the following Letters Patent, to wit: Number 159,908, granted sixteenth February, 1875, to H. W. Curtis; Number 181,450, granted twenty-second August, 1876, to C. Kilburn; Number

182,465, granted nineteenth September, 1876, to S. D. Newcomb; and Number 210,777, granted tenth December, 1878, to Henry S. Hale.

5. The defendants are directed hereby forthwith to assign and deliver to the plaintiff the reissued patent numbered 8,161, and granted ninth April, 1878, to Andrew Stark.

6. The costs of the cause are directed to be paid by the defendants (Record, p. 503).

It will thus be seen that the statement, in the Brief of plaintiffs in error, that the last decree of April 22, 1882, 1882, "added *nothing upon the subject-matter of the first decree*" (Dec. 8, 1878), is quite incorrect.

It added the principal relief sought by the bill, *viz.:* the re-assignment to Everett, the plaintiff, of his Letters Patent, numbered 148,940, and adjudicated his right to such reassignment by reason of the conduct of the defendants in regard to the contract.

The interlocutory decree of December 8, 1878, was silent in regard to the *re-assignment* of the plaintiff's Letters Patent, which was the subject of the second prayer of the bill; and, therefore, until the rendition of the final decree, the legal title of the patent was in the defendants under the contract, and the contract was not finally determined by judicial decree in the cause until that time.

It was by the interlocutory decree of December 8, 1878, alone (rendered before the final adjudication by the Court of the right of the plaintiff, under the contract, to an assignment of his patent, and the patents for improvements, taken out by the defendants) that the defendants were enjoined from *disposing* of the patents, and from manufacturing under the patent, and selling any articles made under the patent, which were manufactured after the date of the decree.

The final adjudication of the right of the plaintiff to have back his patent, and to have the patents for improvements

covered by the contract, and the fraudulent Stark patent, was made by the Court in the decree entered on the 22d day of April, 1882, nearly four years after the entry of the interlocutory decree.

It is rather absurd, therefore, to say, as the plaintiffs in error state, that "the further decree of April 22, 1882, was not necessary to give the plaintiff the entire and full benefit of the previous decision of the Court."

The fact is that no decision was made by the Court as to the right of the plaintiff to an assignment of his patent, or any of the patents embraced by the bill, until it rendered the decree of April 22, 1882.

That decree is plainly the final decree in the cause.

It expressly describes the previous decree of December 9, 1878, as the "*interlocutory degree in this cause.*"

The appeal of the plaintiffs in error here to the Supreme Court of the State, was an appeal from *that* decree (Rec., p. 503).

It was that decree alone which was affirmed by the Supreme Court of the State on the 29th of January, 1883 (Rec., p. 508).

The "*assignments of error*" filed by the plaintiffs in error, on the appeal, in the Supreme Court of Pennsylvania, contain no allusion to the previous decree of December 8, 1878, or to the order therein for an injunction, and no error was assigned, in the Supreme Court of the State, to that order (Rec., p. 507).

ARGUMENT FOR DEFENDANT-IN-ERROR.

I.

This Court has no Jurisdiction of the Case.

The defendant-in-error, on November 8, 1883, filed a motion to dismiss the case for want of jurisdiction, which the Court postponed until the hearing on the merits.

The motion to dismiss is now renewed, and the attention of the Court is respectfully invited to the arguments filed thereon by the defendant-in-error.

1. This writ of error was sued out to the decree of the Supreme Court of Pennsylvania, of January 29, 1883, affirming the decree of the Court of Common Pleas, of April 22, 1882, upon the pretension that a "right, title, privilege, and immunity," under the Constitution and statutes of the United States, were claimed, in the suit, by the plaintiffs-in-error, and the decision of the Supreme Court of the State was against the same.

It would seem that the "right, title, privilege, and immunity," pretended to have been claimed by plaintiffs-in-error, are alleged to be that the State Courts had no jurisdiction of the subject-matter of the controversy, but that the jurisdiction of the same was by the Constitution and statutes of the United States exclusively vested and cognizable in the Federal Courts, as a controversy arising under the provisions of the Constitution and statutes of the United States pertaining to patent rights (Petition for Writ of Error, Rec., pp. 9, 10).

Section 709 of the Revised Statutes provides for the re-examination, by this Court, of the "final judgment or decree in any suit in the highest Court of a State, where

any *title, right, privilege or immunity is* CLAIMED under the Constitution, or any treaty or statute of the United States, and the decision is against the title, right, privilege, or immunity SPECIALLY SET UP OR CLAIMED by either party under such constitution, treaty, statute," etc.

The statute thus expressly requires, to give this Court jurisdiction of a case under the clause of Sec. 709 referred to, that the right, title, privilege or immunity under the Constitution or statutes of the United States, asserted by a plaintiff-in-error in this Court, SHOULD HAVE BEEN SPECIALLY SET UP OR CLAIMED by him in the State Court, and that the decision of the highest Court of the State should have been against the right, title, privilege or immunity so set up or claimed by him.

The construction and effect given by this Court to that clause of the statute, have been in accordance with the obvious purport of its language.

Udell vs. *Davidson*, 7 How., 769.
Henderson vs. *Tennessee*, 10 How., 323.
Walworth vs. *Kneeland*, 15 How., 353.
Otis vs. *Steamship Co.*, 116 U. S., 549.
Bank vs. *Savings Ass'n.*, 114 U. S., 267.

The present Chief Justice, in *Otis* vs. *Steamship Co.* (116 U. S., 549), said: "Neither in the pleadings, nor in the evidence, nor in the findings, nor in the exceptions as shown by the record, was there any title, right, privilege, or immunity *specially set up or claimed under the Constitution, or a law, or authority of the United States.*" And in *Bank* vs. *Savings Ass'n.* (114 U. S., 267), although, in the Court of Appeals, it was, among other things, assigned for error, that the judgment was against the right of the defendant under the provisions of the National Bankrupt Act, and section 5073 of the Revised Statutes was relied on, in that Court, the Court dismissed the writ, saying that "*no rights*

under this section were set up in the pleadings or claimed at the trial."

2. The general rule, applicable to the jurisdiction of this Court, under section 709. is, of course, well settled.

In *Chauteau* vs. *Gibson* (111 U. S., 200), the Chief Justice said:—

"From the beginning it has been held that to give us jurisdiction in this class of cases, it must appear *affirmatively on the face of the record*, not only that a federal question was raised and presented to the highest Court of the State for decision, but that it was decided, or that its decision was necessary to the judgment or decree in the case (*Murdock* vs. *Memphis*, 20 Wall, 636)."

It appears affirmatively, on the face of this record, that neither in the pleadings, nor at the hearings before the Master, nor in the exceptions to his report, nor in the assignments of error upon the appeal to the Supreme Court of the State, was it *set up or claimed, specially or otherwise*, by these plaintiffs-in-error, that the State Courts had no jurisdiction of the case, and that the jurisdiction of the same was exclusively vested in the Federal Courts, as a case arising under the patent laws of the United States; and, further, that no Federal question was raised and presented to either of the State Courts for decision; that no such question was decided by those Courts; and that the decision of no such question was necessary to the decree rendered in the case by the highest Court of the State.

In *Citizens' Bank* vs. *Board of Liquidation* (98 U. S., 141) it was said: "To give us jurisdiction, under sec. 709, Rev. Stats, it is not only necessary that some one of the questions mentioned in the section *should exist on the record*, but that the decision was *controlling in the disposition of the* cause" (*Williams* vs. *Oliver*, 12 How., 125; *Klinger* vs. *Missouri*, 13 Wall, 257).

In *Dugger* vs. *Bocock* (104 U. S. Reports, p 596), a writ was dismissed for want of jurisdiction, the Chief Justice saying, "The burden is on the appellants to show our juris- "diction, and we cannot entertain the case unless they "have done so."

In *Broughton* vs. *Exchange Bank* (104 U. S. Reports, 427), the writ was dismissed for want of jurisdiction, because no Federal question affirmatively appeared upon the record, and the opinion of the State Court showed that their judgment was upon a ground not involving any Federal question.

In *Brown* vs. *Colorado* (106 U. S., 95,) the Chief Justice gave a more elaborate expression of the opinion of the Court on this subject. He said:—

"If the judgments of the Courts of the States are to be "reviewed here for decisions upon such questions, it should "be only when it appears unmistakably that the Court "either knew, or ought to have known, that such a ques- "tion was involved in the decision to be made" (p. 97).

And he quotes Mr. Justice Miller, in *Bridge* vs. *Hoboken* (1 Wall, 116, 143), thus: "The Court must be able to see "clearly, from the whole record, that a certain provision of "the Constitution or Act of Congress was relied on by the "party who brings the writ of error, and that the right thus "claimed by him was denied."

In *Adams County* vs. *Burlington and Missouri Railroad Company* (112 U. S. Rep., 123), it was held that when a record shows that two questions are presented by the pleadings, one Federal and one not Federal, and the judgment of the Court below rested upon a decision of the non Federal question, this Court has no jurisdiction to review the judgment; and it is to be noted, that it is also held, that the certificate of the Chief Justice is not conclusive.

In *Detroit City Railway* vs. *Guthard* (114 U. S. Rep., 133), it was held that it must appear affirmatively, that a Federal question was raised and decided and, that the decision was necessary to the judgment rendered.

On the 9th day of November, 1885, in *Jacks* vs. *Helena* (115 U. S. Rep., 288), this Court held that when it distinctly appears on the face of an opinion of a State Court, which, by a law of the State, forms part of the record, that the decision of the case below was put upon a ground that did not involve a Federal question, *although such question was raised there*, this Court has no jurisdiction in error over the judgment.

And also quotes Mr. Justice Story, in *Crowell* vs. *Randall* (10 Pet., 368, 398), where he said that it was "not "sufficient to show that a question might have arisen or "been applicable to the case, unless it was further shown "on the record that it did arise, and was applied by the "State Court to the case."

In *Bolling* vs. *Lesuer* (91 U. S., 595) the Chief Justice said: "We cannot re-examine the judgment or decree of a State Court simply because a Federal question was presented to that Court for determination. To give us jurisdiction, it must appear that such a question was *in fact decided*, or that its decision was *necessarily* involved in the judgment or decree as rendered."

3. Upon the question of the jurisdiction of the State Court of the subject matter of this suit, the case is within, and governed by the decisions of this Court in

Wilson vs. *Sandford*, 10 How., 99.
Brown vs. *Shannon*, 20 How., 55.
Hartell vs. *Tilghman*, 99 U. S., 547.
Albright vs. *Teas*, 106 U. S., 619.

The case of *Brown* vs. *Shannon* (20 How., 55), has not been heretofore referred to in connection with the question attempted to be raised in this case, but it is an important decision upon that question, and distinctly rules it in favor of the views herein expressed on behalf of the defendant-in-error.

That case was a bill in the Circuit Court of the United

States for an injunction to restrain the use of certain planing machines in Baltimore, and the general question was whether the suit was founded upon a contract, or upon an infringement of a patent right to which the plaintiff claimed to be entitled.

The opinion was delivered by Chief Justice Taney; and it was held that although the bill charged that defendant was a wrong-doer in using a patented invention without license or authority, the *gravamen* of the bill for injunction was to prevent the fraudulent violation of certain contracts, and it was thus a proceeding founded on contract between the parties, and not a proceeding for the infringement of a patent right.

It is unquestionably true that the controversy, in the present case, was neither in whole nor in part a controversy "arising under the patent laws of the United States," within the meaning of Section 629 of the Revised Statutes, as expounded by this Court, and that the whole controversy arose out of and was founded upon the contract between the parties and their rights under and in respect to that contract, and was, therefore, within the exclusive jurisdiction of the Courts of the State of Pennsylvania. The case, in the language of Chief Justice Taney, "does not arise under an Act of Congress, nor does the decision depend on any law in relation to patents. The rights of the parties depend altogether upon common law and equity principles" (*Wilson* vs. *Sanford*, 10 How., 99).

II.

The Assignments of Error.

The discussion upon the twenty-six (26) assignments of error, in this record, is reduced, in the Brief of the learned counsel, to the presentation and consideration of three propositions, all of which relate to the question of the jurisdiction of the State Court of the subject matter of the

suit, in view of the provisions of Section 629 of the Revised Statutes, which confer on the Circuit Courts of the United States original jurisdiction "of all suits at law or in equity arising under the patent laws of the United States."

First.

The first proposition of the plaintiffs-in-error, in substance, is, that this was a suit for the infringement of the letters patent of the defendant-in-error, assigned to them by the contract set out in the bill.

This proposition they rest upon two facts, *viz.*, *first*, that the bill prayed, *inter alia*, for an injunction restraining defendants from making or selling articles under the patent; and, *second*, that the defendants, in their answer, averred the anticipation of the plaintiff's patent.

The argument offered to prove, from this, that the suit was a suit for infringement, arising under the patent laws of the United States, is manifestly fallacious, and cannot bear, for one moment, the test of reason or authority.

(1) The plaintiff, in his bill, asserted no rights under his letters patent, or the laws of the United States in relation to patents, and sought to enforce no such rights, and the whole object of the suit was to enforce and protect his rights under and in respect to the contract in relation to those letters patent.

That contract, as we have said, contained an executed assignment to the defendants of the entire right, title and interest in and to the plaintiff's invention, secured by letters patent of the United States; and by it defendants bound themselves to certain stipulations which the bill sought to enforce.

The bill showed that the defendants not only had violated the contract, but had conspired to deprive the plaintiff, by

actual fraud, of his rights under the contract. They had obtained control of the Stark patent for the purpose of *black mailing* him, and brought a sham suit against themselves as pretended infringers of that patent in the manufacture and sale of the articles made under the contract with the plaintiff.

The bill, therefore, prayed, as ancillary to the principal relief sought, that defendants be enjoined (1) from disposing of the patent, (2) from manufacturing or selling bedsteads or other furniture under the patent and the improvements thereon claimed by the bill.

This relief, by way of injunction, was not sought against the defendants as *infringers* of the plaintiff's *patent*, under the laws of the United States, but it was sought against them as fraudulent violators of his rights under the *contract;* and it included, as we have seen, the prevention not only of the continued manufacture and sale of the patented articles under the contract, but also the transfer or assignment of the patents, by the defendants, to strangers. It was eminently proper, upon the facts charged in the bill, as to the conduct and purposes of the defendants, that they should be stopped from disposing of the patent, and from carrying on any further operations in the manufacture and sale of the patented articles, which the defendants themselves fraudulently pretended were in violation of the Stark patent.

It is absurd to say that the injunction was prayed for against the defendants as mere *naked infringers* of the patent.

The title of his patent was in the defendants, and the plaintiff had no right to prosecute any one for infringement of the patent, or demand damages therefor, or on account of profit. (*Albright* vs. *Teas*, 106 U. S., 617.)

He was entitled, however, to judicial enforcement of his right under the contract, and judicial protection against continued violation of those rights, and against the fraud

upon his rights, under the contract, which the defendants were perpetrating; and one of the remedies which the law of the jurisdiction in which the suit was instituted afforded him, upon the facts of the case, was injunction against the continued use of his patent, under the contract, by the defendants.

That remedy was not given the plaintiff by any law of the United States, in relation to patents; and his right to it depended solely upon the principle of jurisprudence, applicable to such a case, recognized by the Courts of the State of Pennsylvania.

The plaintiff did not allege, or pretend, in his bill, that he had the exclusive right to use the patent, and that the defendants were liable, under the Act of Congress, as trespassers on that right; and the injunction was not asked for on any such ground.

The equitable circumstances of the case, disclosed by the bill, showed that the defendants had no right to the continued use of the invention after what had happened in regard to the contract; and on that ground alone the plaintiff asked for an injunction as ancillary to the principal relief prayed for in the bill.

The right of the plaintiff to the injunction, therefore, was founded by him upon the contract, and not upon any infringement of his letters patent by the defendants.

(2). The second ground of the theory, advanced by plaintiffs-in-error, that this was an infringement suit, is, that they averred, in their answer, that the patent of the defendant-in-error had been anticipated. The argument of plaintiffs-in-error, on this point, is fully answered by the remarks made in the Brief of defendant-in-error in *reply* to their argument on the motion to dismiss (see that Brief, pp. 2, 3).

The bill contained no averment that the Everitt patent was valid; and nowhere in the answer is the invalidity of

his patent set up as *a defense to the relief which is prayed in the bill.*

The plaintiffs-in-error, on the contrary, in the ninth paragraph of the answer, *confessed judgment* and submitted to a decree as to *all* the prayers of the bill, except that part of the *second* prayer which required that they should assign to the defendant-in-error the patents for *improvements.* (See Answer, paragraph 9. Rec., p. 20).

The interlocutory decree of December 9, 1878, passed upon the bill and answer, recites this confession of judgment, and was made expressly upon that ground. (Rec., p. 25.)

The validity of the patent of the defendant-in-error could not be a question raised by the pleadings, when the pleadings themselves withdrew the question from the consideration of the Court.

The *eighth* paragraph of the bill, as has been seen, alleged that the plaintiffs-in-error purchased the *Stark* patent *with the purpose and intent of defrauding the defendant in-error.*

The answer *admitted* that they had obtained control of the Stark patent referred to in the bill, but *denied* the fraud imputed to them as follows; "*and they deny that the same was done fraudulently, but on the contrary the said purchase and contract were made in perfect good faith.*" (Rec., p. 20.)

The only *issue* thus made, by the pleadings, was that of *fraud*, on the part of the plaintiffs-in-error, in securing control of the Stark patent.

It is very singular, therefore, that it should be stated, in the Brief for the plaintiffs-in-error, that the issue, in this cause, differed, in no respect, from the issue in an ordinary infringement suit, in the Circuit Court, where the plaintiff prays for an injunction, and the defendants set up as a defense that the patent was anticipated by prior patents.

The bill having charged that defendants had purchased

and reissued the Stark patent with intent to *defraud* the plaintiff, the amendment to the bill charged, "that the relations which existed between the defendants and the plaintiff were such that the defendants could not, during the existence thereof, acquire title to the Stark patent, adversely to the plaintiff, but they must be presumed to have acted for the joint interest of all interested in the manufacture of folding bedsteads under the said agreement;" and the plaintiff accordingly prayed that the defendants be decreed to *assign* to him the Stark patent and all rights thereunder. (Rec., p. 26)

It distinctly appears that the Master's report, and the decisions of both the State Courts, upon the claim of right on the part of the defendant in-error to an assignment of this *Stark* patent, under the prayer of the bill, proceeded exclusively on the ground of the *fraud* committed in its purchase and reissue, and the doctrine of equity based upon that fraud, and not on any question touching the anticipation or patentable novelty of the patent of the defendant in-error, or the validity of that patent, or on any question of infringement.

Second.

The second proposition, in the Brief for the plaintiffs-in-error, is, that "the Court below had no jurisdiction to make a decree enjoining the defendant from manufacturing bedsteads and other furniture under letters patent No. 148,940 (Everitt's patent), and from selling any bedsteads made under said patent and improvements (letters patent Nos. 159,908, 181,450, 182,465, and 210,777) manufactured after the date of that decree."

1. The "Court below" is the Supreme Court of Pennsylvania, and the decree brought here, by this writ of error, is the decree of *that* Court in the cause.

Under section 709 of the Revised Statutes, the jurisdic-

tion of this Court is confined to the re-examination of the final judgment or decree of the highest Court of a State. (*Atherton* vs *Fowler*, 91 U. S., 143.)

It has been already shown, that the final decree of the Supreme Court of the State, in this cause, contained *no* order or decree enjoining, or purporting to enjoin, the plaintiffs-in-error from manufacturing under the Everitt patent (No. 148,940), or from selling any articles made under that patent and improvements.

The decree of the Supreme Court, of January 29, 1883, appealed from here, was a decree affirming the final decree of the Court of Common Pleas of Philadelphia County, No. 4, entered, in the cause, on the 22d of April, 1882, and that decree alone. (Rec., p. 503.)

That decree of the Common Pleas was the *only* decree of that Court which was ever brought by the plaintiffs-in-error, before the Supreme Court of the State, for review, and it is the only decree of that Court ever affirmed by the Supreme Court.

And the decree of the Common Pleas of April 22d, 1882, is the only decree of that Court, in the cause, to which errors were assigned, by these plaintiffs-in-error, in the Supreme Court of the State. (See Assignments of Error, Rec., p. 507.)

There can be no doubt, therefore, that the only decree of the Court of Common Pleas, the contents of which are for re-examination here, as the decree of the Supreme Court, in this cause, is the decree of the former Court entered April 22d, 1882. (Rec., p. 503.)

An inspection of that decree of the Court of Common Pleas shows that it contains no order for any *injunction* whatever against the plaintiffs-in-error.

The Supreme Court of the State, "the Court below," therefore, never *affirmed*, *passed*, or *rendered*, any decree, in this cause, enjoining the plaintiffs-in-error from using the patent of the defendant-in-error, or from selling anything

made under that patent and the other patents for improvements, referred to by counsel in their Brief.

As has been shown, the order for an *injunction* was made by the Court of Common Pleas, in its *interlocutory* decree, of December 8, 1878 (Rec., p. 25), which never came before the Supreme Court of the State, never was reviewed by it, and never was affirmed by that Court.

This writ-of-error, of course, does not bring before this Court for re-examination, that interlocutory decree of the Court of Common Pleas, *or any order of that Court not contained in its final decree of April 22, 1882.*

The decree of December 8, 1878 we have referred to as an interlocutory decree, and so it is; but by whatever name it is called—whether interlocutory or final—it is certain that it was never brought before the Supreme Court of the State for review, and was, therefore, never affirmed by that Court; and no order contained in it, therefore, can come before this Court for re examination under this writ-of-error, upon any question involved in it.

As the Supreme Court of the State of Pennsylvania never made, or affirmed, any order, or decree, in this cause granting the *injunction* referred to, and now, for the first time, in the long history of this case, complained of by these parties, it is useless to discuss the question, whether, if that Court *had* made such an order, or decree, it would have been within its competent jurisdiction to do so.

The sufficient and conclusive answer to the second proposition of the plaintiffs-in-error, is, that the Court below never made a decree enjoining them from doing the acts mentioned, and never affirmed the validity of any order or decree of the Court of Common Pleas enjoining those acts, and never decided any question arising upon the injunction.

It is, therefore, a *moot question* whether or not the Court below would have had jurisdiction to enjoin the plaintiff-in-error, as ordered in the interlocutory decree of the Court of

Common Pleas, if it had made or affirmed the validity of such a decree.

2. But the right, power and jurisdiction of the Court of Common Pleas to enjoin the defendants below, as asked in the third prayer of the bill, cannot, as we have said, be questioned.

The apparent contention, on the other side, that the injunction was an assertion and exercise, by that Court, of jurisdiction to enjoin as for an *infringement* of the letters patent by the defendants below in violation of the Act of Congress in relation to patent rights, is based upon a misconception of the case and the object and foundation of the relief, by way of injunction, as sought by the bill.

(*a*). It has been already stated that the contract between the parties by which the whole patent was assigned and transferred to the defendants below, was not effectually terminated until the final decree in this cause, which adjudicated the right of the plaintiff to a reassignment of his patent, and an assignment of the patent for improvements claimed by the bill, and ascertained the indebtedness of the defendant upon the accounting ordered by the Court; and until then, at least, no right secured to the plaintiff below by any act of Congress was vested in him, and he could prosecute no one for infringement of the patents embraced by the bill or any of them.

That final decree, as has been seen, was not rendered until nearly four (4) years after the interlocutory order of the Common Pleas, which enjoined the defendants below from disposing of the patents and manufacturing and selling the patented articles, so that the statement, in the Brief for Plaintiffs-in-Error, that the injunction was ordered by the Court, after the contract had been ended, is erroneous.

The contract was not finally terminated, and the parties were not remanded to their respective rights outside

of it, until the termination of the litigation, in the Court of original jurisdiction, by the final decree of April 22, 1882.

There is no doubt that except for the injunction, the defendants below, after the filing of the bill, would have been at liberty to manufacture and sell the patented articles, if they had chosen to do so, subject to their liability to account for the royalty before the Master, and the right of the plaintiff to a final decree for the reassignment of the patent.

The facts averred, however, in the 8th paragraph of the bill, as has been said, made a clear case for an injunction upon general equitable principles, against the transfer of the patents by the defendants, and against the prosecution of the business under the contract; and that case was strengthened by the admissions made by them in the answer, for if anything was needed to prove their bad faith in their dealings with the plaintiff, under the contract, it was the answer which they filed in this case, which failed to deny any of the specific allegations of fraud set out in the 8th paragraph of the bill, and in which the parties purported to have a right to throw up the patent upon a ground which was in contravention of one of the fundamental stipulations of the contract.

It was to prevent the fraudulent violation of the *contract* between the parties that the plaintiff below asked, and the Court granted, the injunction ordered in the interlocutory decree of December 9, 1878, and not to prevent an *infringement* of the patents, mentioned in the decree, or any of them, or to enforce or vindicate any right of the plaintiff under the patent laws of the United States.

(*b*). The contention of the plaintiffs-in-error that whether or not the injunction granted by the Common Pleas was prayed for as a remedy upon the contract, it was beyond the jurisdiction of the Court to grant it, ' because it involved

a *question of infringement*," is as untenable as their other propositions under this head of the argument.

There was *no issue of infringement* made by the pleadings in the cause upon which the Court of Common Pleas granted the injunction, and no such issue or question was involved in the suit, or decided or passed upon by that Court when it granted that relief.

It has been already stated that the only *issue* made by the seventh paragraph of the answer, in which the existence of prior patents was alleged, was upon the charge of *fraud*, in the eighth paragraph of the bill, in regard to the *Stark* patent, in respect of which no specific relief was prayed in the bill as originally framed.

The eighth paragraph of the answer, in which it was stated that because of the existence of prior patents and for want of utility and novelty, the defendants had been "advised" that plaintiff's patent was useless, and that defendants' contract with him was without consideration and void in law, cannot be treated as setting up the invalidity of the patent as *a defense to the relief prayed in the bill*, as is manifest on its face and from its terms, and also from the ninth paragraph of the answer, in which the defendants specifically confessed judgment and submitted to a decree in favor of the plaintiff as to all the prayers of the bill, except to that part of the *second* prayer which required that they should assign the patents for *improvements*, *as to which they submitted themselves to the judgment of the Court.*

The terms of the ninth paragraph of the answer were as follows:

"*Ninth.*—That these defendants are not now maufacturing any bedsteads under the patent of the said plaintiff and do not propose to do so hereafter; that they confess judgment and submit themselves to a decree of the Court in favor of the said plaintiff as to all the prayers of their said bill, except to that part of the second prayer which requires

that they should assign to the said plaintiff the patents which they have secured for improvements of their own making in bedsteads; and as to their liability to assign the patents they hold for the said improvements, they respectfully submit themselves to the judgment of this honorable Court."

It is folly, therefore, for the plaintiffs-in-error to contend that the validity of the injunction, granted by the Court, upon the bill and the confession of judgment, in the answer, depended upon a question as to whether or not the patent was anticipated, or upon a question of infringement, or upon a question arising under any law of the United States relating to patent rights.

It is strictly true, as we submit, in any and every proper view of the answer, that these plaintiffs-in-error interposed *no defense to the relief prayed in the bill, which was founded upon the alleged invalidity of the patent of the defendant-in-error, by reason of the existence of prior patents, or which raised any issue of infringement under the patent laws of the United States, and that no question touching the validity or invalidity of the patents, or any of them mentioned in the interlocutory decree of 1878, was decided by the Court of Common Pleas, directly or indirectly, in rendering that decree.*

Third.

The third, and last proposition, in the argument for the plaintiffs in error, is, that " the Court had no jurisdiction to make a decree ordering the defendants (plaintiffs-in-error), to pay to the plaintiff (defendant-in-error), *inter alia*, $971.98, for the sale of bedsteads and articles of furniture by them under the plaintiff's patent, after all contract relations between the parties had been determined."

1. The argument, on behalf of the plaintiffs-in-error, in support of this proposition, would seem to state that the above amount was allowed the defendant-in-error, by the

Master, on account of sales of bedsteads and articles of furniture, *manufactured after September 24, 1878*, when they alleged all contract relations between the parties were determined (Brief for plaintiffs-in-error, p 36, last paragraph).

The probability is that the articles, sold after the bill was filed, were *manufactured* before that date; at any rate the plaintiffs-in error point to no evidence in the record, to show that the articles sold after the bill was filed, wer *made* after that date; and it is a mere assumption, therefore, that the amount above mentioned, was allowed the defendant-in-error for bedsteads made and sold after the 24th of September, 1878, when he filed this bill.

Although there were some forty-three exceptions taken on behalf of plaintiff in-error to the Master's report, not one of them presented any such question as they have now attempted to raise in regard to the jurisdiction of the Court to take an account, in this suit, of articles sold under the patent, after the date of the filing of the bill (Rec., pp. 136-140).

Nor did any assignment of error, in the Supreme Court of the State, on the appeal from the final decree of the Court of Common Pleas, present any such question (Rec., pp. 507–8).

2. The proposition that the State Court had no jurisdiction in this suit, to take an account of, and charge the plaintiffs-in-error with, the articles sold by them after the day the bill was filed, has been answered and shown to be untenable by the preceding observations in this brief.

The theory that the contract between the parties upon which the suit was founded, was absolutely determined, for all purposes, on the 24th of September, 1878, the day the bill was filed, and that the plaintiffs-in-error in respect of any and all transactions in the manufacture and sale of the patented articles after that date, were and could be liable to the defendant-in-error only as *infringers* of the patent, has no merit except its ingenuity.

It is true that the effect of the final decree of the Court, in the suit granting the defendant-in-error the relief he sought, was to put an end to the contract from that time; but it is an extraordinary notion that from the moment the bill to enforce the contract was *filed*, the contract became *functus officio*, and the parties were respectively remanded to their original rights outside of it, in respect to the subject matter of the contract.

It is true that the Master found that the defendants below were in default, within the terms of the 5th article of the contract, and that they continued in default for more than sixty days before the bill was filed; but that was simply a finding that the plaintiff below had a good *cause of action* for a reassignment of his patent, under and according to the terms of the contract, at the time he instituted his suit, which entitled him to have, in that suit, the decree which he prayed against the defendants below for a reassignment of the patent.

The 5th article of the contract stipulated that "if the said parties of the second part, or their said assignees, shall at any time fail to *account and pay over*, when due, sums accruing to the said party of the first part, under the terms of the agreement, *and shall continue in said default for sixty days* after demand for payment, etc., then and in any such case the party or parties so in default shall forfeit all his or their interest in said letters patent, and shall reassign the same by proper instrument in writing, to the said party of the first part," etc. (Rec., p. 14).

The bill averred, in its 7th paragraph, that the defendants had continued in default for more than sixty days *in not accounting and paying over* to the plaintiff the royalty due him after he demanded payment of the same (Rec., p. 16).

The answer, in its 4th paragraph, admitted that defendants had continued in default for more than sixty days in *not paying* over under the agreement, but *denied* they were in default for *not accounting* (Rec., p. 19).

By the interlocutory decree the Master was to determine whether, at the time the suit was instituted, there had occurred such default on the part of the defendants below, in not accounting and paying over under the contract, as entitled the plaintiff below to a decree in the suit for a reassignment of the letters patent.

The effect of his report was that such default had so occurred, and that the plaintiff below had established a right to have a reassignment of his patent, which should be enforced by a final decree in the suit. It is manifest that until, at least, the final decree for a reassignment of the letters patent was rendered by the Court, the contract was a subsisting contract which governed the rights of the parties in respect to the manufacture and sale, by the plaintiffs-in-error, of bedsteads and articles of furniture, under the patent of the defendant-in-error, prior to the time of that decree, and that the Court below had power and jurisdiction to take an account of all such transactions on the part of the plaintiffs-in-error, and render a decree for the amount of the royalty due therefor to the defendant-in-error under the contract.

Fourth.

The decree for the assignment of these patents was prayed for and made upon the ground that it was Everitt's right UNDER THE AGREEMENT *to have them. No claim was made on any other ground.* The clause in the agreement touching this point reads as follows:

"*Seventh.*—It is further understood and agreed that any "improvements in said patented bedsteads which may be "made by either of the parties hereto, and any Letters "Patent of the United States obtained for such improve-"ments, shall be held and enjoyed by said parties of the "second part, under and subject to the terms of this agree-"ment."

The agreement provided for a forfeiture of the rights of Hale *et al.* in the Letters Patent, and a reassignment of the same to Everitt, upon default in paying royalty on the manufactured goods. The default occurred, and Hale *et al.* by their answer admitted the default and the consequent forfeiture. The Master found as a fact that four patents came within the terms of the agreement, and that, *under that contract*, the defendant-in-error was entitled to demand and receive an assignment of them.

They were claimed in the bill under the contract as "improvements to said patented process." The answer admitted that they were for "improvements in the said "bedsteads," and that "they (respondents) understood the "plaintiff to claim and demand an assignment to him of the "patents for such improvements *as a right belonging to him* "*under the said agreement.*"

The whole controversy found in the pleadings was upon the construction and effect of the agreement; and the Master, having adopted the construction contended for by the bill, directed the assignment to be made. In three of these patents the specifications denominate them as improvements on Everitt's patent by name, and the other is so clearly such that, although the Everitt patent is not mentioned, there is no room for doubt.

If it be said that, as to this last mentioned patent, it was necessary for the Master, in order to arrive at the conclusion which he reached, to enter into the construction of the patent, we reply, that, if this be so (which we deny), it was merely an incidental or collateral question, which is not sufficient to oust the jurisdiction of the State Court, as was expressly held by this Court in

Hartell vs. *Tilghman*, 99 U. S., 547.
Albright vs. *Teas*, 106, *id.*, 618.

Mr. Justice Woods, in the last-named case, said: "This incidental and collateral inquiry does not change the nature

of the litigation. It arises solely on the contract, and not upon the patent laws of the United States."

As to the reissue patent to Andrew Stark, the case is equally clear.

The averments upon which defendant-in error founded his claim to have this patent assigned to him are found in paragraph VIII of the bill and in the amendment to the bill, and they amount *to a charge of fraud committed by Hale* et al. *in the secret purchase of the patent and the subsequent use of it to deprive Mr. Evcritt of his rights under the agreement.*

The *seventh* paragraph of the answer contains the defense made to the charge of fraud. The claim for the assignment of this patent was based upon the equitable doctrine stated by the Master in his report to wit: That from the time of the execution of the original agreement the parties occupied to each other a relation of confidence, and thenceforth it could not be permitted that either party should acquire any rights prejudicial to the other parties' interest in the subject of the contract. The Master found on this subject that the answer of the defendants in relation to the purchase of Stark's patent, and their testimony given before the Examiner in support of their answer, were untrue, and continued ns follows: "The falsity of the defendants' answer as to the assignment of the Stark patent; the conflict between their testimony and that of the plaintiff and Mr. Stevens; the contradiction of their testimony on other points by their own letters; and the conspiracy with Mr. Mason and Mr. Stevens, forbid the Master to credit their testimony as to their purchase of the Stark patent in good faith and after notice to the plaintiff. If the Master were otherwise in doubt, as he is not, the admissions of the defendant, H. S. Hale, and of Mr Mason with regard to the want of practical value in the Stark patent in its original form and the purpose of the defendants to buy it and to

reissue it so as to cover the Everitt patent, would convince him that the defendants could not have offered the plaintiff the opportunity of participating in that purchase. The Master therefore finds that the defendants' negotiations with Stark were concealed from the plaintiff; that he was not offered an opportunity to participate in the purchase of the Stark patent, and that the defendants secretly purchased that patent in their own right for the purpose of using it as a means of compelling the plaintiff either to abandon his patent or to so modify his contract with them as to let them manufacture under his patent for a diminished royalty; that this action of the defendants was an actual fraud upon the plaintiff is too clear for argument."

It is impossible to see any Federal question here. The averments *pro* and *con* and *the decision of the question as to the reissued patent, were all based upon the equitable doctrine arising from fraud.* The opinion delivered by the Court of Common Pleas on final hearing, and the opinion of the Supreme Court of Penna. in deciding the appeal, all base the relief given upon the same *fraud*, and no mention of any Federal question was made on the subject of the assignment of Stark's patent by the defendant-in error, the Master, or either of the Courts. As stated by the Master in his supplementary report, the Stark patent was reissued as part of a fraudulent scheme in order to cover the Everitt patent and to constitute it an infringement of the Stark patent reissued, and that whether or not that purpose be accomplished is immaterial in the case: *and he expressly refused to decide the question of infringement as not being within the jurisdiction of the State Court*, and as not being material to any question at issue.

In respect to Stark's patent acquired fraudulently, as it was, and the subsequent improvements for which Letters Patent were taken out, we submit that they, together with the original patent of the appellee, formed a unit under the terms of the agreement. It is evident under the testi-

mony that any one who owned only the plaintiff's patent, could not make and sell bedsteads such as were made by the defendants under this agreement at the time the bill was filed. If each of the six patents were held by a different owner, the consent of each owner would be required for the manufacture of a bedstead which would combine or include them all. It was evidently the purpose of the agreement that all the patents which came into the possession of any one of the parties to the agreement, should form a common stock, and go or remain together. It would have been a mockery of justice to allow the appellants to assign to the appellee his original patent and withhold the Stark patent and the subsequent improvements or any of them. No sooner would he have begun to reap profits from his own patent by manufacturing and selling the same than he would be confronted by five several lawsuits, each of them based upon one of the five patents which the appellants endeavored to withhold. To make his success in this suit of any value to him, the appellee must have them all. He must have them when he begins to manufacture bedsteads, with the same safety and the same freedom to use those inventions which the appellants had when the bill was filed, and the only way to effectually give it to him is to assign the patents to him.

The Court will observe that no injunction is contained in the final decree, and that as to the injunction contained in the interlocutory decree, the plaintiffs in-error, in the *ninth* paragraph of their answer, consented that a decree should be entered in favor of the defendant-in-error as to all the prayers of his bill, except that part of the second prayer which requires the assignment of the improvements. The prayer for an injunction was the third prayer of the bill and was within the confession of the judgment thus made by the plaintiffs-in-error.

It is manifest that there is no Federal question involved in any manner in this case; and clearly the decision of such

a question by the Court was not necessary for its complete determination.

It is true that the defendants claimed in their answer that the Everitt Patent infringed the Stark Patent, but this point was waived by their confession of judgment. By such confession the validity of the contract and the liability to account were admitted. The liability to account could have had no existence unless the contract was valid. Of course the Court promptly acted upon this admission and made the decree for an account. After this there could be no issue as to an infringement. There could not be and there was not any decision of the Court as to such a point. There was no question open to be decided as to whether the State Court had jurisdiction to decide a question as to the infringement of a patent.

As to the patents the defendants are required to assign to the plaintiff, all of them excepting the Stark patent were found by the Master to be improvements upon the Everitt patent, and by the very terms of the contract they became the property of Everitt. There were no questions raised and decided as to whether these patents were infringements. They were not set up by the appellants as defenses to the contract, but by Everitt for the purpose of obtaining a title thereto. Certainly no question as to jurisdiction did or could arise as to these patents. As to the Stark patent, the bill in equity foreshadowed the conspiracy to cheat Everitt thereby, and which was fully developed and exposed before the Master. The answer denies the fraud, but it must be taken as a mere denial of fraud and not a setting up of the Stark patent as a defense to the contract, as the appellants admitted, a liability to account. The Stark patent not being set up as a defense by the appellants, Everitt, by an amendment to the bill, claimed it as his. He did not claim it because it was or was not an infringement, but because it was purchased and used to cheat and defraud him, in violation of the confiden-

tial relations existing between him and the appellees. It was claimed by and awarded to Everitt on equitable principles, and the decision of the Courts was not as to whether there was an infringement. The Master in his report states: "The interlocutory decree having directed the defendants to account under the contract, it would seem that it is not at this stage of the cause open to them to set up by way of defense the alleged invalidity of the contract, as resulting from fraudulent concealment or misrepresentation on the part of the plaintiff, or from want of consideration." The Master treats the decree for the account as excluding all questions of infringements and jurisdiction. But he supposed the case of this not being so, and in an argumentative way gave his view or dictum upon such supposed case, that State Courts would have no jurisdiction to decide a question of infringement. It may be argued that here were two questions presented to the Master, one Federal and the other non-Federal, but the Master decided upon the non-Federal question.

In *Klinger* vs. *State of Missouri* (13 Wall., 257), it is decided that where it appears by the record that the judgment of the State Court might have been based upon a Federal question, or upon some other independent ground; and it appears that the Court did in fact base its judgment on such independent ground, and not on the law raising the Federal question, this Court will not take jurisdiction of the case, *even although it might think the position of the State Court an unsound one.* But where it does not appear on which of the two grounds the judgment was based, then, if the independent ground was a good and valid one, sufficient of itself to sustain the judgment, this Court will not assume jurisdiction of the case.

In *Murdock* vs. *City of Memphis* (20 Wall., 590), it was held that if this Court finds the Federal question erroneously decided, then the Court must go further and inquire whether there is any other matter or issue adjudged by

the State Court sufficiently broad to maintain the judgment, *notwithstanding the error in the decision of the Federal question.* If this be found to be the case, the judgment must be affirmed without examination into the soundness of the decision of such other matter or issue.

In *Jenkins* vs. *Lœwenthal* (110 U. S. Rep., 222), it was held that when the record discloses two defenses to an action brought in a State Court, one presenting a Federal question, and one presenting no Federal question, either of which, if sustained, was a complete defense to the suit, and that the State Court gave judgment in favor of the defendant on both, this Court will affirm the judgment below without considering the Federal question.

When the matter was heard on bill and answer, the Court affirmed the validity of the contract. It treated that part of the answer as to the invalidity of the contract of no consequence, in view of the confession of judgment. The Master was appointed to state an account, and he had nothing to do with questions as to validity of the contract; and he based his decision upon the fact that the Court had made an interlocutory decree, affirming the contract, and not upon the consideration of any Federal question; and that circumstance, under the above authorities, would prevent this Court having jurisdiction. The appellants may say that the Court, upon the hearing on bill and answer, decided the Federal question; that the State Court had no jurisdiction to decide as to the defense of the Everitt patent being an infringement of the Stark patent. A glance at the petition for the writ of error will reveal the fact that the appellants base their application upon the sole ground that there was no jurisdiction of the Court over the suit. No such question appears on the record, and no such question was ever decided. The appellants have laid hold of the principle, that a question as to jurisdiction can be raised at any time without pleading, and have endeavored by argument to apply it to this case. They cannot do so.

An objection to matters which were not brought to the attention of the Court below will not be considered here.

Clark vs. *Fredericks*, 15 Otto, 4.

This Court will not take jurisdiction if the Federal question was not raised below, and if no opportunity was given to the State Court to pass upon it.

Santa Cruz Co. S. vs. *Santa Cruz R. R. Co.*, 111 U. S. Rep., 361.

Questions presented by the assignment of error cannot be considered here unless the record shows that they were brought to the attention of the Court below.

Walker vs. *Sauvinet*, 2 Otto, 90.

It is not sufficient that this Court can see that the Federal question ought to have been raised, and thus it might have been decided.

Maxwell vs. *Newbold*, 18 Howard, 511.

The appellants' theory is this, that inasmuch as the defense of an infringement cannot be set up in the State Court, that therefore the Everitt claim should be in the United States Court. A doctrine such as this would certainly be a novelty in the law. The principle, practically illustrated, would be this: say a plaintiff has the right to bring a suit in a certain court on a contract, and he brings it, and then a plea is made by the defendant that if the suit should be brought in some other court, a defense could be made which could not be made in the court where the suit is commenced. That a State Court has jurisdiction of a suit on a contract for a patent license cannot be questioned. Indeed, when such a contract is the main or primary cause of the action, a United States Court can have no jurisdiction if the parties are of the same State. Suit is commenced in the proper court having jurisdiction, and then it is pleaded that because a certain

defense is set up in the suit, the jurisdiction of the State Court must be taken away.

In *Smith* vs. *Adsit* (16 Wall, 185), where a complainant setting out a case in the higher State Court for equitable relief against a sale which a third party had undertaken to make of land, alleged that the party, in making the sale, had violated an Act of Congress, and that the sale was therefore null and void, and the *State Court dismissed the bill for want of jurisdiction;* held, that although the question whether the sale was not a nullity might have been presented, yet that the case, having been dismissed below for want of jurisdiction, it did not appear that a Federal question had been decided, much less that it had been decided adversely to the complainant. That, independently of this, whatever might have been the reasons for the decision, *the question whether the State Courts had jurisdiction of the case was a question exclusively for the State tribunals.* That the judgment of the Court respecting the extent of its equitable jurisdiction is of course not reviewable here. Now, as the appellants stake their whole case upon the question as to the jurisdiction of the State Courts, the appellants' appeal should be dismissed on this authority alone.

In *Mays* vs. *Fritton* (20 Wall., 414), it was held that it was the duty of a party making an objection to the jurisdiction to ask a ruling of the Court below; that it is not competent to a party to assent to a proceeding in the Court below, take his chances of success, and, upon failure, come here and object that the Court below had no authority to take the proceedings. The appellants contend that they had the right to bring the question of jurisdiction up in the Supreme Court of the United States, although it may not have been brought in the Court below; but these authorities are conclusive against such right.

The appellants may say, that although the record does not show the question as to jurisdiction raised and argued,

they have argued the question before the Court below. This circumstance will not avail the appellants. In *Parmelee* vs. *Lawrence* (11 Wall., 36), it was decided that this Court had no jurisdiction when the question was first raised on argument in the higher State Court on review of the decision below, in which it was not raised by pleadings or evidence.

It would be too loose and uncertain to rest the matter upon oral, or even written, arguments which are not part of the record. This Court will not resort to forced inferences and conjectural reasonings on possible, or even probable, suppositions of the points raised and actually decided by the Courts (*Ocean Ins. Co.* vs. *Palleys*, 13 Pet, 157).

It is respectfully submitted that the writ of error should be dismissed, or that the decree below should be affirmed with costs and damages.

J. Hubley Ashton,
E. Coppee Mitchell,
Wendell P. Bowman.

SUPREME COURT

OF THE UNITED STATES.

October Term, 1883. No. 951.

HENRY S. HALE, *et al.*, AND THE HALE & KILBURN MANUFACTURING COMPANY.
Plaintiffs-in-Error,

vs.

ELISHA E. EVERITT,
Defendant-in-Error.

IN ERROR TO THE SUPREME COURT OF PENNSYLVANIA.

Copies from the Record filed in this Court in above cause, submitted with the Motion of Defendant-in-Error to Dismiss the writ of Error therein, and the Brief in support of that Motion.

J. HUBLEY ASHTON,
E. COPPÉE MITCHELL,
Of Counsel for Defendant-in-Error.

CONTENTS.

I. The Pleadings in the Court of Common Pleas of Philadelphia County, viz.:
1. Bill, 1
2. Answer, 9
3. Amendment to Bill, 14
II. Interlocutory Decree, appointing Master, 15
III. Master's Report, 17
IV. Exceptions to Master's Report filed in Common Pleas, 73
V. Master's Supplemental Report upon the Exceptions, 80
VI. Opinion of Common Pleas upon Reports and Exceptions, 87
VII. Final Decree in Common Pleas, 91
VIII. Assignment of Errors in Supreme Court of Pennsylvania, upon Appeal by Hale *et al.*, from the Decree of the Common Pleas, 92
IX. Opinion and Judgment of Supreme Court of Pennsylvania, 94
X. Petition of Hale *et al.* to Supreme Court of Pennsylvania for a reargument, 95
XI. Petition of Hale *et al.*, to the Chief Justice of Pennsylvania to allow a Writ of Error to the Supreme Court of the United States, 96

122-627

I. THE PLEADINGS IN THE COURT OF COMMON PLEAS.

1. THE BILL.

[Filed September 24, 1878.]

IN THE COURT OF COMMON PLEAS NO. , FOR THE CITY AND COUNTY OF PHILADELPHIA.

In Equity.

ELISHA E. EVERITT

vs.

HENRY S. HALE, ARTEMUS KILBURN, J. WARREN HALE, CHENEY KILBURN, and WARREN HALE, who survived H. W. CURTIS, with whom they traded as HALE, KILBURN & COMPANY, and THE HALE & KILBURN MANUFACTURING COMPANY.

To the Honorable the Judges of the said Court:

Your orator complains:

I. That on the 24th day of March, 1874, Letters Patent of the United States of America were granted to him for an alleged new and useful Improvement in Wardrobe Bedsteads.

II. That on the 16th day of April, 1874, a certain agreement in writing, of that date, was made between your orator,

of the first part, and the said Henry S. Hale, Artemus Kilburn, J. Warren Hale, H. W. Curtis, Cheney Kilburn and Warren Hale, trading as Hale, Kilburn & Co., of the second part, in the words following, to wit:

"Agreement made and entered into this 16th day of April, A. D. 1874, by and between Elisha E. Everitt, of the City of Philadelphia, of the first part, and Henry S. Hale, Artemus Kilburn, J. Warren Hale, H. W. Curtis, Cheney Kilburn and Warren Hale, all of the said City, and there trading together, as Hale, Kilburn & Co., of the second part.

"*Whereas*, Letters Patent of the United States were granted to the said party of the first part, for an Improvement in Wardrobe Bedsteads, said Letters Patent being dated March 24th, 1874, and numbered 148,940.

"*Now these Presents witness* that by and between the said parties hereto, it is agreed as follows:

"*First.*—In consideration of the sum of five hundred dollars to him by the said parties of the second part, in hand paid, the receipt of which is hereby acknowledged. And in further consideration of the faithful keeping, observance and performance by the said parties of the second part of the stipulations hereinafter contained, to be by them kept, observed and performed, the said party of the first part agrees to, and hereby does assign and set over to the said parties of the second part, the entire right, title and interest in and to said invention, as secured by said Letters Patent, for, to and in the whole of the United States, the same to be held and enjoyed by the said parties of the second part for their own use and behoof of their legal representatives, fully, freely and entirely to the full end of the term for which said Letters Patent are granted, subject to the stipulations hereinafter contained; and covenants and agrees that he will, at the request and expense of the

said party of the second part, execute all such lawful instruments of writing, and do all such lawful acts and hings as may be requisite and proper to procure a reissue of said Letters Patent, for the better securing to said parties of the second part of the interest hereby conveyed to them or intended so to be.

"*Second.*—The said parties of the second part agree to pay to said party of the first part, his heirs or assigns, a royalty or patent fee upon all of the said patented bedsteads made and sold by them, at the rate of seven per cent. upon the wholesale prices received by them therefor; and furthermore, to pay to said party of the first part, his heirs or assigns, one-half of the net profits which they may derive from the sale of any rights and licenses in and under said Letters Patent, and they agree to account for in writing. and to pay over, such sums as may be due under this clause of agreement, at the end of each and every month, from and after the date hereof; and furthermore to keep just and true books of account, to be open at all reasonable times to the inspection of said party of the first part, his heirs, assigns, or his or their duly authorized agent or agents, and showing the number of said patented bedsteads made and sold by them, and the prices received therefor, and showing also all rights and licenses granted under the patent, and the amount received therefor.

"*Third.*—The said parties of the second part promise and agree to use all reasonable efforts to promote the sale and introduction of the said patented bedsteads.

"*Fourth*—The said party of the first part for himself, his legal representatives and assigns, agrees to defray one-half of the expenses of any suits at law or in equity that it may be necessary to prosecute or defend for the maintenance of said Letters Patent, or to enjoin and recover against infringers thereon; and the said parties of the second part

may retain from and out of moneys becoming due to the said party of the first part, his heirs or assigns, under the terms of the second clause of this agreement, sufficient to defray the said proportion of said party of the first part, of such expenses; and the said party of the first part shall be entitled to and shall receive one-half of all sums which may be recovered in any such suit or suits.

"*Fifth.*—The covenants of the said parties of the second part, contained in the second and third clauses hereof, shall extend to, and be binding upon, their assignees of the right, title and interest in said Letters Patent, or of any undivided part thereof; and if the said parties of the second part, or their said assignees, shall at any time fail to account for and pay over, when due, sums accruing to the said party of the first part, his heirs or assigns, under the terms of the agreement, and shall continue in said default for sixty days after demand for payment, or if they shall fail to keep the stipulation made in clause three hereof, then, and in any such case, the party or parties so in default shall forfeit all his or their interest in said Letters Patent, and shall reassign the same, by proper instrument in writing, to the said party of the first part, his heirs or assigns.

"*Sixth.*—It is further understood and agreed, that the said patented bedstead shall be known as the 'Everitt Bedstead,' and the said parties of the second part shall so term it in their advertisements, circulars, etc., and it is further agreed that said party of the first part shall have the right to exhibit said patented bedstead at the Centennial Exhibition to be held in the City of Philadelphia.

"*Seventh.*—It is further understood and agreed, that any improvements in said patented bedsteads which may be made by either of the parties hereto, and any Letters Patent of the United States obtained for such improve-

ments, shall be held and enjoyed by said parties of the second part, under and subject to the terms of this agreement; and the said party of the first part, for himself, his legal representatives and assigns, promises and agrees that at the request and expense of the said parties of the second part, or their assigns, he will obtain Letters Patent of the United States for any such improvements made by him, and will execute and deliver proper assignments of the title to said Letters Patent to said parties of the second part, or their assigns.

"*Eighth.*—It is further understood and agreed, that if in any suit the said Letters Patent shall be found and adjudged invalid, or to infringe on any other patent or patents, then, and in any such case, the said parties of the second part, or their assigns, may, at their option, surrender to the said party of the first part, his heirs or assigns, all right and claim under this agreement, and thereupon be released from their covenants herein contained, and from any and all obligations whatsoever, under or concerning said agreement.

"In testimony whereof, the said parties hereto have hereunto set their hands and affixed their seals, the day and date first above written.

"ELISHA E. EVERITT, [L. S.]
"HENRY S. HALE, [L. S.]
"ARTEMUS KILBURN, [L. S.]
"J. WARREN HALE, [L. S.]
"H. W. CURTIS, [L. S.]
"CHENEY KILBURN, [L. S.]
"WARREN HALE, [L. S.]

"Sealed and delivered in the presence of
"OWEN D. ROBERTS,
"JOHN DIMMOCK."

III. That the said Hale, Kilburn & Co., as such firm,

manufactured bedsteads under the said patents and agreement until on or about the 3d day of October, A. D. 1876, when the said firm, and members thereof, formed and entered into a Corporation, known as the Hale & Kilburn Manufacturing Company.

IV. That the said Hale, Kilburn & Co., by a certain assignment, dated on or about the 3d day of October, A. D. 1876, duly registered in the Patent Office at Washington, assigned to the said defendants, the Hale & Kilburn Manufacturing Co., all their rights to the said Everitt Patents under the said agreement between your orator and the firm of Hale, Kilburn & Co.

V. That the said Hale & Kilburn Manufacturing Co., ever since the said assignment to them, have been manufacturing bedsteads under the said assignment and Everitt Patents, whereby they became bound and liable according to the said agreement, to pay your orator the royalty or patent-fee thereon at the rate of seven per cent. upon the wholesale prices received by them therefor, and to account to your orator in writing for the same, and to pay the same at the end of each and every month after the said assignment to them, according to the terms of said agreement between your orator and the said Hale, Kilburn & Co. That several improvements to said patented process have been, from time to time, made by the said defendants, or some of them, which are now held by the said Hale & Kilburn Manufacturing Co. under the terms of the said agreement, which your orator for want of knowledge is unable to more particularly specify.

VI. That the said Hale & Kilburn Manufacturing Co. have made and sold, after the said assignment to them, divers large quantities of bedsteads, manufactured according to said patents, which they have not accounted for, and have refused to account for, to your orator, and to pay the

said royalty thereon after the same fell due and was payable under the said agreement.

VII. That your orator does not know, and cannot ascertain, excepting by a discovery from the defendants, the number of bedsteads which have been manufactured by the said defendants under the said agreement, patent and assignment of patent, nor the amount that remains due by the defendants to your orator by way of royalty under said agreement; that the said defendants have neglected and refused to make payment at the end of each month, as stipulated in said agreement, and have refused to allow your orator to have access to their books for the purpose of ascertaining the amount due to him under said agreement; and said defendants have continued in default for more than sixty days in not accounting for and paying over to your orator the royalty due him under said agreement, after your orator demanded of the defendants payment of the same, whereby the rights of the said defendants to your said orator's patent, and the said improvements thereon, were forfeited, and the said defendants have not reassigned the said patent and improvements to your orator, according to the terms of the said agreement.

VIII. That your orator has been informed and believes, that the said defendants, the Hale & Kilburn Manufacturing Co., with the purpose and intent of defrauding your orator of his just rights under the said patents and agreement, have purchased from one Andrew Stark a patent issued to him, and reissued in his name, for an invention similar to that of your orator, which they pretend gives a prior right to said invention or some parts thereof. Your orator has further been informed and believes, that the said defendants or their agents gave to said Stark, as the consideration of his assignment to them, the sum of one thousand dollars ($1000), part in cash and part in the due bill of the said Hale & Kilburn Manufacturing Co., which said due bill

was afterwards paid by said company; and that the said Stark thereupon made an assignment of his said patent to said Hale & Kilburn Manufacturing Co., or to some one in trust for them, which said assignment is concealed from your orator; and a suit in Equity has been commenced in the Circuit Court of the United States for the Eastern District of Pennsylvania, in the name of the said Andrew Stark, against the Hale & Kilburn Manufacturing Co., for an injunction against their further using your orator's patent in the manufacture of bedsteads and other furniture; and said defendants have called upon your orator to pay part of the expense of defending said suit, pretending that they are in fear of loss if the said Stark should succeed in getting his injunction against them; but your orator has been informed and believes, and so charges, that the said suit has been promoted and commenced by the said defendants themselves, or some of them, and at their expense; and that the name of the said Stark, as plaintiff therein, is made use of by them for the purpose of affording the said defendants an excuse to hinder and delay your orator in the collection of his said royalty, and to enable them to deprive him of his just rights under said patent, improvements and agreement.

Your orator therefore prays equitable relief as follows:

1. That an account may be taken of all and every the bedsteads and other furniture manufactured by the said defendants, under said patent and improvements, after the date of the said agreement; and of all moneys realized from the sale of the same, and that they be directed to pay to your orator what moneys shall upon such account appear to be due from them to him.

2. That the said defendants be ordered to reassign to your orator the said Letters Patent of your orator, and all

improvements thereon, and all rights to use said patented invention under said agreement.

3. That the said defendants be restrained by an injunction from your Honorable Court from disposing of the said patent and improvements to any other person, or persons, than your orator, and from making or selling bedsteads or other furniture under your orator's said patent and the improvements thereon.

4. Such other and further relief as your honors may deem meet.

E. COPPÉE MITCHELL,
WENDELL P. BOWMAN,
Solicitors for Complainant.

[Affidavit in usual form.]

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2. ANSWER OF THE SAID DEFENDANTS.

(Filed November 22, 1878.)

The Respondents say:

First.—That all the allegations and averments of the said bill as contained in the first four paragraphs thereof, are true, and are hereby admitted to be so. They also admit that the allegations contained in the fifth paragraph are true, except that they claim to have made improvements in the article of bedsteads, and they hold Letters Patent for such improvements. If these are "improvements to the *patented process* of plaintiff," then the averments in this paragraph of the bill are true also.

Second.—It is not true as charged in the sixth paragraph of the said bill, that the defendants have not accounted for, or refused to account for, any or all bedsteads manufactured by them under the said patent in pursuance of the said agreement. On the contrary, these defendants have been always ready and willing, and are now ready and willing, to account for every article so sold by them as aforesaid. And they hereto append an account of all that has been sold under the said patent since their last account was rendered, which last account was accepted by the said plaintiff without objection, and the last payment to the said plaintiff was made in pursuance of said account and a mutual settlement between them on this subject.

Respondents further say that the accounts heretofore rendered, and in pursuance of which payments have been made, and those hereto annexed, included bedsteads which were in no sense covered by the plaintiff's patent, and the payments referred to were made by mistake. They have, however, included the same class of goods in the account annexed hereto, distinguishing them by the broad-faced type, but they protest that they are not liable to the said plaintiff for any claim of royalty on the beds so distinguished in the said account.

Third.—That if it is true that the plaintiff "does not know * * * the number of bedsteads which have been manufactured by the said defendants under the said agreement, etc.," it is because he has not availed himself of the means of informing himself he has always enjoyed, and which have always been, and still are, open to him. It is true that the defendants have refused to make payments at the end of each month, but it is not true that the plaintiff has been refused access to the respondents' books for the purpose of ascertaining the amount due him under the said agreement. Statements have been regularly made for his

use and information, in the same manner and form as has been practiced and approved by him from the commencement of the business relation referred to; and the books in which the whole account of this branch of respondents' manufactures is kept are, and always have been, open to his inspection, and have been regularly and repeatedly examined by him, and have always been accepted as satisfactory until these respondents began to withhold the payments to him as charged.

Fourth. That it is true that the defendants have continued in default in this respect for more than sixty days in not paying over under the said agreement, but are in no default for not accounting, and they agree that they have forfeited their rights to the plaintiff's said patent, and although they have not hitherto reassigned the same, they have caused an offer so to do to be made to the plaintiff, in person and through counsel, but it has not been accepted, and the defendants, the said Hale & Kilburn Manufacturing Company, under advice of counsel and in compliance with the prayer of the said bill of complaint, deposit herewith in the hands of the Prothonotary of this Court, at the time of filing this answer, a reassignment of the patent referred to, so that the said plaintiff shall thereunder have and take all his former rights and privileges, and the said reassignment is subject to his order.

Fifth. These respondents admit that they have made several improvements in the said bedsteads and that they have secured Letters Patent therefor. They understand the plaintiff to claim and demand an assignment to him of the patents for such improvements, as a right belonging to him under the said agreement, in case of a surrender by the defendants of the plaintiff's patent originally assigned to them. This claim they have refused to accede to, and

the question of their liability to make such transfer they respectfully submit to the judgment of the Court.

Sixth. They deny that the said improvements are on any of the features covered by the said patent of the plaintiff; on the contrary, they say that the said improvements are on other parts, not in any way connected with the claims of the plaintiff, and they deny the right of the said plaintiff to claim a transfer of the patents for said improvements.

Seventh. These defendants say that when they entered into the contract with the plaintiff as stated, they did so with the understanding that the said patent was good and valid in the law and not subject to the claims of other patents, but they have since been informed and believe that in making the said bedsteads they were infringing upon the rights of other prior patentees, against whom they were obliged to protect themselves by contracts of purchase or otherwise, or wholly discontinue the manufacture of the bedsteads which they had been making and in the introduction of which they had expended large sums of money which they could not afford to lose. That among such patents were one to Andrew Stark, and another, or others, to Sebeus C. Maine, which covered the leading and only valuable features of the bedstead they had been manufacturing and selling; that they have purchased and taken assignments of the said Maine patents, and have contracted for the control of the said Stark patent, but they deny that the same has been assigned to them. They aver that in each instance where claimants under these patents respectively presented themselves, and charged them with infringements, they consulted counsel and fully informed themselves as to their legal position and their liability in the premises, and that the whole facts were duly and promptly communicated to the said plaintiff, and that he was consulted, and asked to co-operate with, and assist, these defendants in securing

the control of these patents, but he persistently refused so to do. That as a means of protecting themselves and their business, and of utilizing the large outlay they had already incurred in introducing the said bedsteads, these defendants, at great expense, secured the control of said outstanding patents, but aver that the same was done only after the necessities of the situation had been fully explained to the plaintiff and after he was solicited to participate; and they deny that the same was done fraudulently, but on the contrary the said purchase and contract were made in perfect good faith.

Eighth.—That prior to the making of the said contract with the said plaintiff, these defendants had no knowledge or information as to the existence of the said Maine and Stark patents, or either of them, but they are informed and believe that the said plaintiff did know of their existence, as they have been informed and believe that his application for his patent was originally rejected at the Patent Office by reason of the existence of the one or the other, or both, of the said prior patents, but the plaintiff failed to communicate such facts to these defendants; and the defendants aver that because of the existence of prior patents, and for want of utility and novelty, they have been advised that the said patent of the plaintiff is useless and utterly worthless, and that their said contract with him is without consideration and void in law.

Ninth.—That these defendants are not now manufacturing any bedsteads under the patent of the said plaintiff and do not propose to do so hereafter; that they confess judgment and submit themselves to a decree of the Court in favor of the said plaintiff as to all the prayers of their said bill, except to that part of the second prayer which requires that they should assign to the said plaintiff the patents which they have secured for improvements of their own making in bedsteads; and as to their liability to assign the

patents they hold for the said improvements, they respectfully submit themselves to the judgment of this honorable Court.

C. KILBURN, President,
HENRY S. HALE,
ARTEMUS KILBURN,
J. WARREN HALE,
C. KILBURN,
WARREN HALE.

[To this answer are appended affidavits in usual form, and a statement of beds and cribs sold, as mentioned in paragraph "Second" of the answer.]

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3. AMENDMENT TO THE BILL.

And now, to wit, on the 5th day of May, A. D. 1879, on motion of E. Coppee Mitchell and Wendell P. Bowman, attorneys for plaintiff, the Court grant permission to the plaintiff to make and file amendments to his bill as follows, viz.:

AMENDMENTS.

Paragraph IX to be inserted after paragraph VIII of the bill.

IX. Your orator shows that the said defendants claim that the patent of your orator is an infringement upon the said Stark patent, and that as owners of the said Stark patent, they can manufacture folding beds substantially in the same manner as they have been doing under their said agreement with your orator, and without paying your orator anything therefor. And your orator charges that the rela-

tions which existed between the said defendants and himself were such that they could not, during the existence thereof, acquire title to said Stark's patent adversely to your orator, but they must be presumed to have acted for the joint interest of all interested in the manufacture of the said folding beds under said agreement.

Prayer for relief, to be added as one of the prayers of the bill, viz.:

2½. That the said defendants be decreed to assign to your orator the said Stark's patent and all rights thereunder.

WENDELL P. BOWMAN,
E. COPPÉE MITCHELL,
Solicitors for Complainant.

[Affidavit in usual form annexed.]

II. INTERLOCUTORY DECREE APPOINTING MASTER.

The decree is in these words:—

ELISHA E. EVERITT,	}	C. P. No. 4,
vs.	}	Sep. 1878.
HENRY S. HALE, *et al.*	}	No. 564.

In Equity.

"And now, December 8th, 1878, this cause came on to be heard on bill and answer, and it appearing to the Court

that the said defendants by their answer, have submitted to a decree in favor of the plaintiff as to all the prayers of the bill, except so much of the second prayer as prays for a re-assignment of the improvements in the manufacture of the bedsteads mentioned in said bill.

"It is ordered, adjudged and decreed, that an account be taken of all and every the bedsteads and furniture manufactured by the defendants under the patent and improvements mentioned and referred to in the bill after the 16th day of April, 1874, and of all moneys realized from the sale of the same, and that the cause be referred to C. Stuart Patterson, Esq., as Master, to take and state such account, and that the defendants pay to the plaintiff whatever money shall upon such account be found due to him, and it is further ordered that an injunction issue directed to the said defendants, commanding and enjoining them not to dispose of the said patent and the improvements thereon to any person or persons other than the plaintiff, and from manufacturing bedsteads and other furniture under the said patent, and from selling any bedstead made under said patents and improvements, manufactured after the date of this decree.

"And it is further ordered, that the said C. Stuart Patterson, Esq., be directed as Examiner and Master in the cause to take testimony upon the matters pending in the second prayer of the plaintiff's bill, and report the same and the facts relating thereto, and such further decree as the Court ought to make.

"With liberty for either party to apply, etc.

"M. R. T., *Dec. 9, 1878.*"